

National Auto Auction Association Condition Reports Evaluation



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Overview

The NAAA discovered that there were many improvements to be made to condition report products offered by member auction companies. However, more detail was needed from dealers to determine what those improvements would look like.

To this end, NAAA's member companies have partnered with TNS – an international market research firm – to evaluate condition reports ordered and used at auction from the perspective of vehicle buyers and of vehicle sellers.

Buyer Perspective

1. Which companies do buyers go to most to buy vehicles?
2. How often do buyers use condition reports?
3. What do buyers like about condition reports?
4. What would buyers like to change about condition reports?
5. How could condition reports help buyers be more successful?

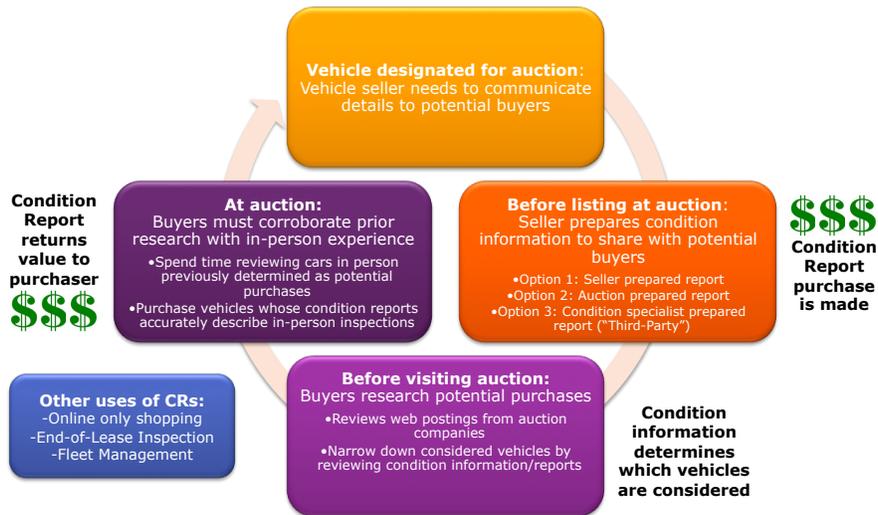
Seller Perspective

1. Which companies do sellers go to most to sell vehicles?
2. How often do sellers order condition reports?
3. What do sellers like about condition reports?
4. What would sellers like to change about condition reports?
5. How could condition reports help sellers be more successful?



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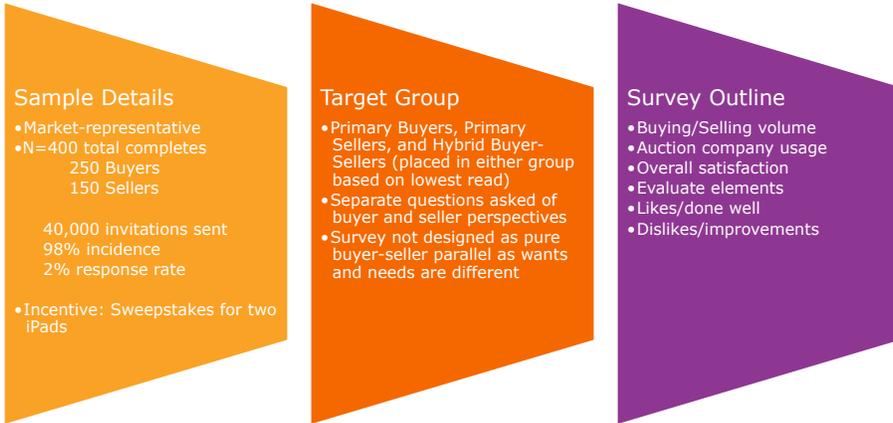
Life-cycle of a condition report



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Methodology of study

We used AuctionAccess' dealer database as a sample source because their 100,000+ records are **representative of the total market** in their demographics and firmographics.



NOTE: Figures used for net incidence rate and response rate are estimated based on initial conversations between Manheim and TNS. Should vary significantly from estimates, TNS reserves the right to immediately notify Manheim and to provide revised investment based on actual results.



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Growth summary



Your business issues

Two major issues currently face the NAAA today, as it relates to condition information.

- Dealers have several pain points which keep them from ordering more reports.
- Third-party alternatives, which create a more competitive marketplace

Therefore, the NAAA is looking to shore up existing customers (today's business), while getting current customers to buy more reports (new spend) by eliminating barriers to purchase.



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Executive Summary

- **86% of dealers engage in both buying and selling vehicles at auction to some extent, with 33% who consider themselves equal *buyer-seller hybrids*.**
- **Sellers are generally underwhelmed by the perceived value of condition reports, leading them to use the tool less often.**
 - Only 39% of sellers use CRs *every time/most times* they sell
 - 6 out of 10 sellers who regularly use reports indicate general satisfaction, though only 8% consider themselves *extremely satisfied*
 - More than half of sellers who regularly use reports have issues with ordering CRs *sometimes, more often than not, or all the time* when they order
 - Sellers are most dissatisfied with the *price on damages* (19%), *use of vehicle grade scale* (17%), and the *time required to obtain CRs* (17%).
- **Buyers are seeking objective, detailed, consistent, and unbiased reporting, yet see current reports only partially meeting their needs.**
 - 80% of buyers indicate that CRs are *extremely/very important* to their buying decisions
 - Only 16% of buyers who regularly use reports are *extremely satisfied* with the experience
 - Buyers prefer third-party or auction-prepared reports over seller disclosures (66% much more likely to consider), though they trust auction and third party reports about equally (about 70% top 2 box)
 - Certain reports elements are already sufficient for buyers – *tires, installed options, wheels* – though they are seeking more detail and consistency for others – *interior details and damage* (72%), *mechanical* (66%), and *vehicle details* (56%)



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Implications

- **Sellers want CRs that will help them sell more cars, so accuracy, detail, consistency, and fairness are a must**
 - Vehicle Condition Grading that is comparable and fair across auction houses, particularly by experienced and well-trained personnel
 - More photos showing interiors, under-the-hood, etc (Average sufficient number = 11 pictures)
 - Faster report turn-around
 - Description of damages rather than estimated price of repair
- **Buyers want CRs to save them time by giving reliable and comprehensive information from the start**
 - Photo documentation of the entire vehicle, including the interior, the engine, all damages, etc
 - Reliable Grading Scale that really means something
 - Repair pricing that accurately reflects the market they operate within



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Growth summary



Growth insights

Buyers are seeking objective, detailed, consistent, and unbiased reporting, yet see current reports only partially meeting their needs.

Sellers are generally underwhelmed by the perceived value of condition reports, leading them to use the tool less often.

Precise plans for growth

Enhance current reports for buyers by:

- Enforcing industry standards for vehicle condition grade system
- Creating a certification, best practices criteria, and accountability process for condition inspection staff
- Providing guidelines for better photos of relevant car elements, including consistent detailed documentation of damage and interior details

Encourage sellers to use condition reports more often by:

- Showing consistent standards to both buyers and sellers, since most sellers do both
- Creating a more streamlined inspection system that gets CRs into sellers' hands faster
- Requiring coverage of detailed topics that help sellers sell more cars

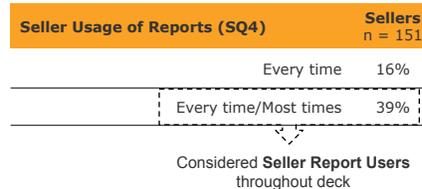


Key Metric Scorecard

Key Metric	Total n = 401	Buyers	Sellers	
		n = 250	n = 151	
		a	b	
Ever Used Report (S4/4.1)	80%	94% b	57%	
Overall Satisfaction with Condition Reports (BQ5s/SQ5s) – five-point scale				
	Top 2 Box	53%	54%	50%
	Neutral	34%	33%	34%
	Bottom 2 Box	14%	13%	15%

Stat tested at 95% confidence a/b

Though buyers find condition reports very important, less than one-fifth of sellers use them every time they sell



S4/S4.1. Have you ever order/viewed a condition report for a vehicle that you were attempting to sell/thinking about buying/selling?
 BQ5s/SQ5s. Overall, how satisfied are you with the condition information provided in reports?
 BQ4. How important is a condition report to your buying decision?
 SQ4. As a seller, how often would you use a condition report to sell a vehicle?

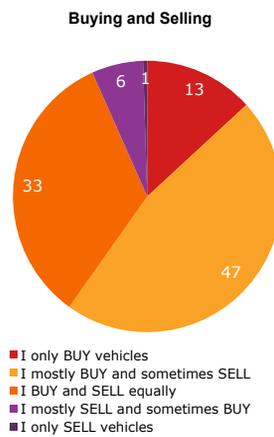


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Current Usage of Reports



Few dealers consider themselves pure buyers or sellers, and one-third falls into the equal buyer-seller hybrid category.



Among Total Buyers and Sellers n=401



S3. Which of the following do you most identify with? (Select one)



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Buyers are more likely to consider third-party or auction-produced condition reports rather than seller disclosures, as they are perceived to be more objective.

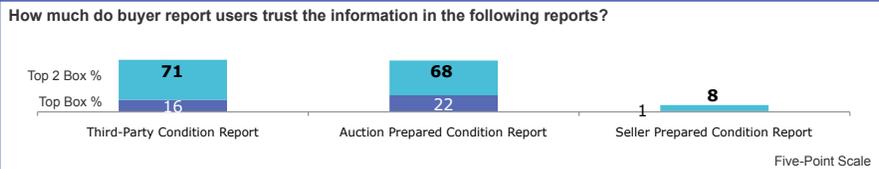
Are you more likely to consider...



Reasons often given for higher consideration

Self-Disclosure "Some information is certainly better than none at all. Some sellers, once a relationship is built, can be trusted on their Self-Disclosure Reports."

Third-Party or Auction Report "The third party has no reason to hide or cover up anything that could potentially be wrong. We've been burned too many times by a seller covering something up."



Among Total Buyers n=250

TNS BQ9. As a buyer, are you more likely to consider a vehicle that has a third-party condition report rather than a self-disclosure report from the seller?
 BQ10. As a buyer, are you more likely to consider a vehicle that has a self-disclosure report from the seller rather than a listing with information (vehicle images only)?
 BQ13. As a buyer, how much do you trust the information in the following condition reports?



Regular report usage seems to align with high seller volume, however, 4 out of 10 sellers do not use any condition information when they list with NAAA's key auction companies.

As a seller, when you do business with [auction company], how often do you use...

Auction Company	No Condition Information	Any Report	Auction Prepared Report	Seller Disclosure Report	Third-Party Report
Manheim n=116	35%	65%	25%	22%	19%
ADESA n=69	41%	59%	33%	17%	9%
Independent Auction Companies n=58	42%	58%	26%	19%	13%

% of time - Mean (including zero)

<p>Seller Report Users</p> <p>Average cars sold per month: 29</p>	<p>Seller Non-Report Users</p> <p>Average cars sold per month: 21</p>
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TNS SQ2. In a typical month, how many vehicles would you say you sell?
 SQ5a. When you do business with Manheim, what percentage of the time do you order...?
 SQ5b. When you do business with ADESA, what percentage of the time do you order...?
 SQ5d. When you do business with an Independent Auction, what percentage of the time do you order...?



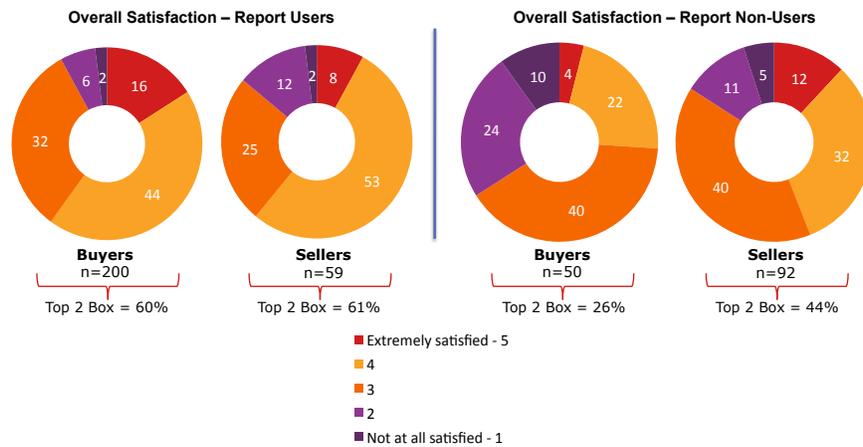
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Satisfaction with Reports



Buyers & Sellers

While 6 out of 10 report users are generally satisfied, those who don't use condition reports seem discontented, though for different reasons between buyers and sellers.



BQ5s/SQ5s. Overall, how satisfied are you with the condition information provided in reports?



Buyers & Sellers

Buyers rate report accessibility highly, yet neither group is enamored with most other report elements. Sellers find particular pain points in the reporting time scale and subjective condition grade.

Ten-point scale	Top 3 Box		Bottom 3 Box	
	Buyer Report Users n=200	Seller Report Users n=59	Buyer Report Users n=200	Seller Report Users n=59
	A	B	C	D
Overall Satisfaction with Report Elements	60%	56%	4%	5%
Accessibility of Report	72%	53%	1%	14%
Use of Vehicle Grade Scale	54%	46%	5%	17%
Accuracy of information	50%	41%	6%	15%
Level of detail	48%	47%	4%	12%
Number of photos	44%	46%	6%	10%
Price on damages	33%	32%	11%	19%
Process of ordering a Condition Report	na	54%	na	8%
Time required to complete a Condition Report	na	47%	na	17%
Price of a Condition Report	na	41%	na	8%

Buyer: "Inconsistent from writer to writer and auction to auction."
Seller: "Makes a great car unsellable due to erratic interpretation."

Buyer: "Prices that are given are usually too low to be reasonable. It seems the repair cost is considerably higher especially where there are parts purchase involved."

Seller: "I need to have a CR in my possession to properly negotiate the price with my customer"

○ = High Priority Pain Point



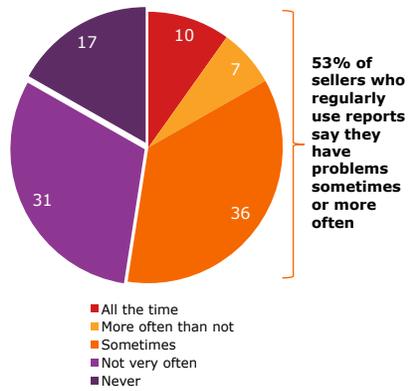
BQ16: Thinking about condition reports you have used in the past, how satisfied are you with each of the following elements?
 SQ13: Thinking about condition reports you have used in the past, how satisfied are you with each of the following elements?



Sellers

Even among sellers who regularly use reports, the majority continually experiences issues while ordering.

As a seller, do you have issues with ordering reports in general?



Among Seller Report Users n=59

What issues have you had with ordering reports in the past?

Reason	% Reporting
Reports	43%
Time consuming/too slow to receive reports	18%
Not accurate/incorrect	14%
Missing information	7%
Information is not detailed	6%
Shows damage that does not exist	3%
Staff	12%
Not knowledgeable/incompetent	6%
Need proper inspection by inspector	5%
Prefer consistent supplier for reports	3%
Other	15%
Disparity in grading /need better grading	5%
Need better price/cost	4%
Need better photos	3%
Website issues	3%

Among Seller who have had issues ordering reports n=63
 Coded Open Ends - will not sum to 100%



SQ8: As a seller, do you have issues with order reports in general?
 BQ8a: What issues have you had with ordering reports in the past?



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Improvements and Suggestions



Buyers & Sellers

Improving consistency in Condition Grade scale and increasing information about Interior Details/Damage are the highest priorities for enhancing reports.

Buyer Report User Importance Rankings		% of Sellers would typically disclose n=151	% Buyer Report Users want more detail n=200
1. Vehicle Details (ex: VIN, trim, color)	■	90%	54%
2. Interior Details and Damage (ex: odor, leather)	✗	70%	72%
3. Mechanical (ex: engine, drive train, transmission)	■	69%	66%
4. Vehicle Information (ex: AC, number of doors)	✓	85%	40%
5. Grade	✗	52%	36%
6. Photos	■	78%	53%
7. Vehicle History (ex: frame, flood, fire)	■	65%	48%
8. Tires	✓	68%	24%
9. Installed Options	✓	51%	22%
10. Wheels	✓	49%	13%
11. Missing Options that are typically standard	■	34%	26%
12. Keys	✓	60%	12%

✓ = Meets buyer expectations ■ = Room for improvement ✗ = Needs attention



BQ6: Please rank the following areas of a condition report in order of importance
 SQ6: As a Seller, please select the areas around which you would typically disclose information in a condition report on a vehicle you are attempting to sell.
 BQ8: Around which areas of a condition report would you like to receive more detail?



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Why did you say you were unsatisfied with...

High Priority Improvements

Level of detail?	"Important features, options and colors are often left out or inaccurately described."
Use of Vehicle Grade Scale?	"The tool is just an unreliable computer that takes no true "worth" into consideration."
Accuracy of information?	"I have seen errors in the information, and I have also seen how quickly some of the condition reporters move through cars."
Price on damages?	"The real cost of body/paint damages are usually much more than indicated."
Number of photos?	"I have never seen a CR photo taken from the underside of a vehicle, under the hood, etc."
Accessibility of Report?	"After the sale it disappears even though I paid for it and are redone on the same car for double costs."
Process of ordering a Condition Report?	"If a report is ordered, they don't get it done prior to sale most of the time."
Time required to complete a Condition Report?	"For the cost of the report the time is not equal."
Price of a Condition Report?	"They should be free. There are too many fees already!"

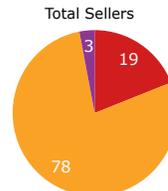
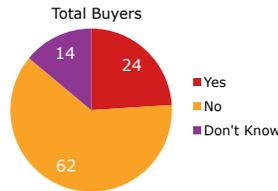


BQ16a. Thinking again about condition reports you have used in the past, why did you say you were unsatisfied?
 SQ13a. Thinking again about condition reports you have used in the past, why did you say you were unsatisfied?



While sellers do not consider these photos imperative, buyers desire additional documentation of small-scale damages and interior detail.

Would you ever buy/sell a vehicle without any pictures listed?



Buyer Photo Importance Rankings

1. Damages > \$200
2. Front left corner
3. Interior
4. Rear right corner
5. Damages < \$200
6. Other exterior
7. Dash
8. Other interior
9. Wheels
10. Odometer

Among Total Buyers n=250
 Among Total Sellers n=151

When selecting a CR

- Seller Must-Have
- Seller Must-Have
- Seller Must-Have
- Seller Must-Have
- Seller Not Imperative
- Seller Nice-to-have
- Seller Nice-to-have
- Seller Not Imperative
- Seller Nice-to-have
- Seller Nice-to-have

Average number of pictures Sellers consider sufficient = 11 pictures



BQ11. Would you consider purchasing a vehicle that didn't have any pictures listed?
 SQ10. Would you attempt to sell a vehicle without listing any pictures?
 BQ12. As a buyer considering a vehicle, rank these pictures in order of importance.
 SQ9. As a seller, how many pictures do you think is sufficient to list with a vehicle you are attempting to sell?
 SQ11. As a seller, what vehicle pictures does a condition report have to contain for you to consider ordering it?



Buyers are seeking more consistent, detailed, and trustworthy condition reporting to help them make purchase decisions.

"I would like more **consistency of information**. Some reports just do not reflect the actual condition of a vehicle."

"**More details** about items that are 'broken' or need to be fixed, as well as minor items. More detailed pictures of problems and issues."

"Most condition reports **only have 4 or 5 photos** and don't always show the damage. Six inch scratches don't tell the whole story."

"Having the **numerical grade** with a condition report is very useful for me. When sorting through lists of cars, I can easily organize groups of cars together that have a high grade, making them more worth my investigation and consideration."

"A lot of times the options don't seem to be mentioned, so **high-resolution interior shots** would let me know what's inside the car."

"Don't leave out the **engine and transmission**, especially if the car won't start or won't shift into gear. The major expense is fixing a transmission or engine, not the broken windshield, or the 2" ding on the door."

"I need to have **trustworthy condition reports**. When I see report then see car in person, the conditions rarely match up and many items seem to be overlooked. I am often disappointed after seeing a car in person, and it makes me hesitate to buy online. I would really like to trust these reports to be able to buy online, but that **trust hasn't been earned yet**."



BQ17. In addition to the elements you just rated, please elaborate on items that would make you more satisfied with a Condition Report.



Sellers need condition reports to arrive sooner, give more accurate and fair information, and stay consistent between auction companies.

"A section for **service history** (if known) would be excellent."

"I would like to see more **accuracy and fairness** of condition reports in relationship to a vehicle's age, mileage, and inherent characteristics of each make and model."

"Occasionally the **severity/cost of damages** is overstated."

"**More consistency between auction houses** is absolutely essential."

"**Grading systems** should be uniform across the board with all auction companies."

"They need to **vacuum and wash the vehicle** before they do the condition report and take pictures."

"I would like to see **seller ratings** (like feedback ratings on eBay) showing how satisfied prior customers have been with the condition [information] provided by this seller."

"I would improve the **speed in obtaining reports** and require good photos showing any damage or reconstruction necessary."

"I would like a **clearer explanation of how to order** and complete a condition report for new dealers."

"It would be nice to see if the vehicle has a **clean CARFAX**, without having to go through the trouble of pulling one myself."



SQ14. In addition to the elements you just rated, please elaborate on items that would make you more satisfied with a Condition Report.



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Demographics



Demographics

	Buyers		Sellers	
	Total n=250	Report Users n=200	Total n=151	Report Users n=59
	%	%	%	%
Male	96	96	97	98
Female	4	4	3	2
Age				
18-24	2	2	1	2
25-34	14	16	12	7
35-44	29	28	23	25
45-54	24	24	31	24
55-64	23	22	25	32
64 or older	7	8	8	10
Mean	46.6	46.3	46.2	49.9
Ethnicity				
Black or African American	4	4	2	2
Asian, including Native Hawaiian and Pacific Islander	3	2	3	3
White	78	80	79	81
Hispanic or Latino	6	4	6	5
American Indian and Alaska Native	-	-	-	-
Other	4	4	2	3



Demographics	Buyers		Sellers	
	Total n=250	Report Users n=200	Total n=151	Report Users n=59
	%	%	%	%
Number of Dealerships Bought/Sold for				
1-5	91	90	93	88
6-10	4	4	2	5
11-20	2	2	1	2
21-50	1	1	1	2
51+	0	0	1	2
Mean	3.9	7.7	4.0	7.3
Number of cars bought/sold in a month				
1-10	45	44	53	49
11-20	25	26	16	15
21-30	14	14	11	7
31-40	5	4	2	3
41-50	5	6	3	5
51-60	0	0	3	3
61-70	1	2	1	0
71-80	2	2	3	3
81-90	0	0	0	0
91-99	3	4	9	14
Mean	20.4	21.0	24.0	28.8



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Demographics	Buyers		Sellers	
	Total n=250	Used Report n=200	Total n=151	Used Report n=59
	%	%	%	%
Time buying cars				
Less than 1 year	4	5	7	5
1-5 years	25	25	15	16
6-10 years	18	18	15	19
11-15 years	10	6	15	12
16-20 years	13	14	15	21
21 or more years	31	32	32	26
Time selling cars				
Less than 1 year	7	9	7	7
1-5 years	25	23	18	19
6-10 years	15	16	13	14
11-15 years	10	7	14	12
16-20 years	12	13	16	19
21 or more years	31	32	30	25



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Thank you

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